

Message Text

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ACTION EUR-12

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FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 8616
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L GENEVA 5201

USEED PASS STR ELECTRONICALLY FOR MIKE SMITH

E.O. 11652: GDS
TAGS: ETRD, EED
SUBJ: TEXTILES: EC MANDATE

REF: BRUSSELS 06755

1. FOLLOWING ARE SOME PRELIMINARY OBSERVATIONS ON EC MANDATE
AS PRESENTED BY EC REP AT SEVEN-PLUS-SEVEN MEETING JUNE 22.
IN-DEPTH ANALYSIS EC'S AIMS WILL HAVE TO AWAIT DEFINITION OF
TERMS USED AND CLARIFICATION OF INTENTIONS.

2. CENTRAL TO EC'S STATED AIMS IS QUESTION OF BASE LEVEL
RELATED TO EC'S DESIRE "STABILIZE AT 1976 LEVEL" IMPORTS IN
SENSITIVE CATEGORIES. AT MINIMUM, THIS WOULD REQUIRE AMENDMENT
ANNEX B PARA 1(C) TO GIVE IMPORTING COUNTRY SAME RIGHT AS PRESENT
TEXT GIVES EXPORTING COUNTRY. WE CAN EXPECT EXPORTING COUNTRIES
TO OPPOSE AMENDMENT OF TEXT AND/OR "INTERPRETIVE NOTE" OVERTLY
PROVIDING SUCH RIGHT TO IMPORTING COUNTRIES. IT SHOULD ALSO BE
NOTED THAT NO EXPORTING COUNTRY HAS EVER INVOKED ITS RIGHT UNDER
PARA 1(C); THEY HAVING UNIVERSALLY ACCEPTED THE PARA 1(A) FORMULA.
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CONCESSION THIS RIGHT TO IMPORTING COUNTRIES WOULD BE SEEN BY EX-
PORTERS AS PROVIDING EC WITH LICENSE FOR UNLIMITED ROLL-BACKS
WHICH, GIVEN EC'S TRACK RECORD, WOULD PROBABLY BE ABUSED. ED SHOULD
BE ABLE NEGOTIATE BILATERALLY WITH THEIR MAJOR SUPPLIERS BASE LEVEL
ADJUSTMENTS THEY DEEM ESSENTIAL.

3. THE "PRICE" FACTOR WHICH EC WISHES FIX IN MARKET DISRUPTION

CRITERIA IN ANNEX A WOULD PROBABLY REQUIRE AMENDMENT OF ANNEX A OR AT LEAST INTERPRETATIVE NOTE. IT IMPOSSIBLE ESTIMATE EXPORTING COUNTRY REACTION TO THIS PROPOSAL UNTIL EC GIVES FURTHER CLARIFICATION THEIR THINKING. THEY MAY HAVE IN MIND PRICE SURVEILLANCE SYSTEM WITH TEETH SIMILAR TO SWISS SYSTEM WHICH WORKS PRIMARILY TO INHIBIT SWISS IMPORTERS. IT DIFFICULT SEE, HOWEVER, HOW SUCH SYSTEM COULD WORK IN LARGER EC CONTEXT WITHOUT CONSIDERABLE DIFFICULTIES FOR EXPORTERS.

EC CONCEPT CUMULATIVE MARKET DISRUPTION WHICH INCLUDES "ALL IMPORTS" AS OPPOSED TO CUMULATIVE LOW-PRICED IMPORTS IS AT VARIANCE WITH TEXT AND PRESENT INTERPRETATION OF ANNEX A. BELIEVE THAT SOME EXPORTERS, INCLUDING THE SOPHISTICATED ONES, COULD SUPPORT THIS INTERPRETATION. THIS PROBLEM IS, OF COURSE, RELATED TO EC'S "PRICE" AIMS AND IS ONE WHICH, WITHOUT PRIOR UNDERSTANDING WITH EC, COULD AFFECT U.S. EXPORTS.

4. BELIEVE EC'S AIMS ON LOWERING GROWTH RATES IN CERTAIN CATEGORIES CAN BE ACHIEVED IN BILATERALS WITHOUT NEED AMEND ARRANGEMENT.

5. U.S. REP HAD SHORT TALK JUNE 24 WITH PIERRE COLMANT (HIS INITIATIVE) FRENCH GATT REP WHO MADE PITCH IDENTICAL IN ESSENTIALS TO THAT MADE BY DAVIGNON AND REPORTED PARA 6(B) REFTEL.

6. INDIAN HANDLOOM QUESTION AND UPCOMING CASE BEFORE TSB CAN, WE BELIEVE, BE HANDLED BY U.S. REP IN TSB ALONG LINES DESIRED BY EC.
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THIS WILL NOT BE DIFFICULT SINCE INDIANS HAVE NOT FORMALLY ACCEPTED RECENT HANDLOOM SETTLEMENT WITH U.S. BELIEVE INDIANS WILL BE ISOLATED AS "HARD LINERS" ON COTTAGE INDUSTRY QUESTION. THEIR ACTIVITIES IN THIS AREA HAVE CAUSED DIFFICULTIES IN EVERY IMPORTING COUNTRY MARKET AND NO OTHER EXPORTING COUNTRY IS INVOLVED IN PRECISELY THE SAME BUSINESS IN ANY MAGNITUDE.

7. AS TO U.S. STANCE IN UPCOMING TC NEGOTIATIONS, U.S. REP CONCURS FULLY IN USEC'S RECOMMENDATION THAT WE ESTABLISH CONTACT WITH TRAN SOONEST. WE NEED TO KNOW WITH PRECISION WHAT EC INTENTIONS ARE AND, IF CHANGES THEY PROPOSE POSE OVERT THREAT TO U.S. EXPORT TRADE, WE WILL NEED OBTAIN CERTAIN PRIOR GUARANTEE OF NON-APPLICABILITY TO THAT TRADE BEFORE WE AGREE REMAIN SILENT. MOREOVER, CONTINUING CONTACT WITH TRAN WILL PLACE U.S. IN POSITION "HONEST BROKER" SHOULD EC'S EFFORTS TOWARD MORE RESTRICTION THREATEN LIFE OF MFA.
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